

which took place in the House of Commons on the evening of May 17th. The Chancellor of the Exchequer stated, in reply to a number of interrogations :

The advances made by the Bank of England on government securities on Friday, the day of the panic, amounted to £919,000, on Saturday to £747,000, and on three subsequent days various amounts, making up the total amount advanced on these securities in five days to £2,874,000. Then with regard to the accommodation of commerce in general, the best measure that can be given of the manner in which the bank has exercised its functions is shown in this :—that it has made advances upon bills and has discounted bills to the extent of £9,350,000, making a total of advances and discounts in five days
£12,225,000.*

The rate of ten per cent, at the Bank of England was maintained from May 17th, to August 6th, and distrust of English investments was so keen that this high rate failed for a time to attract foreign capital from countries where interest rates ruled much lower. The rate of the Bank of France continued for months at four per cent, and the coin reserves of the bank remained unimpaired.² This circumstance was seized upon by critics of the rule of controlling the flow of bullion by the discount rate as proof that the rule was not based upon sound economic law. The simple truth was that the credit of English finance was shaken to its centre. A high rate of interest ceases to attract when grave doubt exists whether the principal will ever be repaid. England paid the penalty for the wide ramification of her credit system, and the severe shock which it received in 1866, in an almost universal fear that her great banks and finance companies, even the Bank of England itself, were on the verge of bankruptcy. The prevalence of a ten per cent, rate for

¹ Gilbart, II., 3*3-

² Liquidation in France had already taken place, in anticipation of war, and the suspension of specie payments in Italy sent large quantities of bullion over the Alps.—MacLeod, *Theory and Practice of Banking*, II., 196-97. M. Horn endeavors to trace the low rates in France to the agitation there against the monopoly of the Bank of France, but if such an influence operated, it was evidently only because other conditions concurred to make low rates safe. —La Liberté des Banques, 446.